



REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
21 JUNE 2023

REPORT ON: 5 YEAR FINANCIAL OUTLOOK 2023/24-2027/28

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB36-2023

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to provide the Integration Joint Board (IJB) with a forecast of the medium to longer term financial challenges which are likely to impact on the IJB's future delegated budget and sets out the framework within which these challenges will be mitigated to enable the IJB's strategic priorities to be delivered within a balanced budget.

2.0 RECOMMENDATIONS

It is recommended that the Integration Joint Board (IJB):

- 2.1 Notes the potential financial challenges which may impact on the IJB's delegated budget over the medium to longer term as set out in sections 4.1.1 to 4.1.8 and Appendix 1 to this report.
- 2.2 Approves the framework and range of principles under which the IJB will approach these challenges to ensure the IJB is able to deliver its strategic and commissioning priorities while delivering a balanced budget as set out in sections 4.1.9 and 4.1.10 of this report.

3.0 FINANCIAL IMPLICATIONS

3.1 This report sets out the potential financial gaps within the IJB's delegated budget over the coming years. Based on a range of current assumptions, this could potentially result in savings totalling approximately £36m being required over the next five financial years.

4.0 MAIN TEXT

4.1 Background

- 4.1.1 Since the establishment of Integration Joint Boards, the delivery of integrated health and social care services have been set within a context of severe financial restrictions to the Scottish Governments public spending and continued increases in demographic demand.
- 4.1.2 In relation to Dundee Integration Joint Board's delegated budget, these funding pressures and the impact of demographic demand resulted in year-end overspends being incurred in the pre-Covid19 pandemic financial years which in effect wiped out the IJB's reserves. Audit Scotland had previously commented on concerns about the ongoing financial sustainability of the IJB at this stage and how this could undermine the IJB's ability to improve and deliver vital health and social care services in the future (as set out in the Annual External Auditors Report – Item V of the meeting of the Performance and Audit Committee held on 24 November 2020 refers).
- 4.1.3 The financial position of the IJB has improved over the last 2 financial years through the impact of additional funding provided by the Scottish Government to invest in health and social care services and to mitigate the financial impact of the Covid19 pandemic. This has enabled the IJB to deliver financial underspends over those years and therefore replenish its reserves to support the

IJB's financial position. The effective future investment of these reserves will be critical to the longer term financial sustainability of health and social care services within Dundee.

- 4.1.4 The scale of the budgetary challenges faced by the IJB since it was established in terms of budgeted cost pressures and the level of funding received from partner bodies can be illustrated by the level of annual savings the IJB has been required to make to balance the delegated budget as follows:

Financial Year	Level of Savings Required to Balance Delegated Budget £000
2016/17 (baseline budget)	6,578
2017/18	2,840
2018/19	4,787
2019/20	5,936
2020/21	2,341
2021/22	2,042
2022/23	Nil
2023/24	5,137
Total	29,661

This position is net of any additional funding provided by the Scottish Government over that time and has clearly had a significant impact on the ability of the IJB to continue its aim of transforming health and social care services from within the delegated budget which is around £284m per annum.

- 4.1.5 The Scottish Government published its Scottish Fiscal Outlook – The Scottish Government's Medium-Term Financial Strategy in May 2023. In the forward of this publication the Deputy First Minister and Cabinet Secretary for Finance states *“The financial situation is, amongst the most challenging since devolution. Following on from a decade defined by UK austerity, over the past three years Scotland has faced a succession of economic shocks, with the Covid pandemic, the war in Ukraine, and the recent period of high inflation all driving significant pressures on the economy, society and the public finances”*. Furthermore *“We are living through the biggest fall in living standards in decades, with the Scottish Fiscal Commission forecasting that average real disposable incomes are not set to recover to pre-pandemic levels until around 2026-27.”* Commenting on the impact of this *“We face a real terms reduction in the resource Block Grant of 0.1% in 2024-25, and a small real terms increase of 1.1% from 2025-26 onwards. Whilst overall funding is projected to increase compared to what was set out in the last Medium Term Financial Strategy, this growth fails to compensate for the impact of the sustained rates of high inflation and the corrosive effect this has on the Government's spending power.”*
- 4.1.6 The strategy document sets out the overall funding available to the Scottish Government described as the central outlook for overall resource funding, which informs the Scottish Government's spending plans, and the assumptions underpinning this. This is compared to the spending outlook for services as follows to show a significant gap in funding.

Central Resource Spending Outlook

	2023/24	2024/25	2025/26	2026/27	2027/28
Social Security	5,290	6,192	6,638	7,000	7,389
Health and Social Care	18,176	18,903	19,660	20,446	21,264
Local Government	10,958	11,403	11,720	12,054	12,417
Other	10,836	11,076	11,286	11,513	11,777
Total	45,260	47,575	49,304	51,013	52,846
Central Funding Outlook	45,260	46,535	47,917	49,415	50,971
Modelled Shortfall	0	-1,040	-1,387	-1,598	-1,875
		-2%	-3%	-3%	-4%

Source: Scottish Government's Medium Term Financial Strategy May 2023

- 4.1.7 It is therefore within this challenging financial context that public services in Scotland will be required to operate within over the medium term.
- 4.1.8 Dundee Health & Social Care Partnership's (DHSCP) own financial modelling to establish the potential financial impact of both the range of cost pressures and the estimated funding from partners and the Scottish Government is set out in Appendix 1 to this report. This model makes a range of assumptions which are subject to change however represents the most up to date information DHSCP has in terms of future financial planning, including those from its statutory partner bodies. This includes assumptions around increasing staff pay awards with the cost of living rises anticipated to be significantly higher than recent years, increases in demographic demand and increases in costs experienced by external care providers such as through the National Care Home Contract, again through the impact of high inflation levels. The financial model does not fully include at this stage an estimate of the increased demand for health and social care services as a result of the Covid19 pandemic as distinct from underlying increases in demographic demand. Further information on population health, including an updated population needs assessment is required to provide a basis for potential cost estimation for these factors.
- 4.1.9 Appendix 1 sets out an early indication of the scale of the financial challenge facing the IJB over the coming years. By setting this out now, the IJB can start to consider how it can mitigate the effect of the difficult projected funding position in terms of its forward planning. This will require the IJB to focus on the need to change and transform services and not rely on short term measures to balance the budget. The following range of principles set within an overarching financial framework is recommended to be adopted which will support the IJB in balancing demand and improving health and social care outcomes for Dundee citizens while delivering a balanced budget.
- Ensure the delegated budget is targeted towards areas of spend which contribute to delivering the IJB's strategic priorities.
 - Continue to shift the balance of care for bed-based models of care to community-based health and social care services.
 - Prioritise investment in early intervention and prevention for longer term impact on demand for health and social care services.
 - Maintain investment in services which contribute to the continued good local performance around delayed discharge.
 - Ensure community-based health and social care services are as efficient and effective as possible without compromising on the quality of services.
 - Embed new ways of working implemented as a response to the Covid-19 pandemic and where possible ensure service delivery does not automatically revert to a pre-pandemic state
 - Maximise use of the IJB's earmarked and non-earmarked reserves to provide short term investment which will support longer term sustainability of service including the transformation programme reserve
 - Continue to work with statutory partners to develop the use of technology to enhance direct service user/patient contact and to support staff in the community to work in a more mobile way.
 - Set out clearly the eligibility criteria under which the local population can access the range of health and social care services available, including signposting to the most appropriate services where applicable.
 - Ensure a best value approach to service provision at all times and identify and eliminate waste and inefficiency.
 - Identify further partnering opportunities with the 3rd and independent sector.
 - Increase the pace of major transformation programmes, ensuring these are properly resourced with supporting infrastructure.
 - Pursue opportunities to access external funding to support specific initiatives (e.g. private, public and charitable funding).
 - Continue to develop the IJB's workforce plan to set out clearly the future shape of the required workforce to ensure there are no gaps, reducing the risk of incurring more expensive staff costs (e.g. use of agency staff).
 - Continue to ensure the implementation of fair work practices in social care provider contracts
 - Work with statutory partners, including neighbouring IJB's to identify wider transformation programmes within which health and social care services can benefit.

4.1.10 The IJB's transformation programme currently consists of the following established projects:

- Reshaping Non-Acute Care Programme
- Living Life Well – Tayside Mental Health and Wellbeing Strategy (Tayside Mental Health Alliance)
- ADP Strategic Framework and Delivery Plan
- Urgent and Unscheduled Care Board (Care Closer to Home, Specialist Palliative Care Services)
- Integrated Community Teams
- Transforming Public Protection (Dundee Partnership)
- Primary Care Improvement Plan
- Digital Transformation (with NHS Tayside and Dundee City Council)

The progression of these are critical to the IJB in terms of improving services, reducing risk (reflected in the current Strategic Risk Register), providing assurance to stakeholders and ensuring best value is achieved in the allocation of resources. While progress on these issues are reported to the IJB on a regular basis, consolidated Transformation Programme progress reports will be provided to the IJB during 2023/24. Further areas of service transformation will be identified and reported throughout the year.

5.0 POLICY IMPLICATIONS

5.1 This report has been subject to the Pre-11A Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6.0 RISK ASSESSMENT

Risk 1 Description	There is a risk that the IJB will not be able to balance its resources and achieve its strategic objectives should the combination of the level of funding provided through the delegated budget and the impact of the IJB's Transformation Efficiency Programme be insufficient.
Risk Category	Financial
Inherent Risk Level	Likelihood 4 x Impact 4 = 16 (Extreme)
Mitigating Actions (including timescales and resources)	Additional Scottish Government Funding provided Developing a robust and deliverable Transformation Programme. Negotiations with Dundee City Council and NHS Tayside to agree the most advantageous funding package as part of the development of the IJB's delegated budget. Application of IJB's reserves.
Residual Risk Level	Likelihood 3 x Impact 4 = 12 (High)
Planned Risk Level	Likelihood 3 x Impact 4 = 12 (High)
Approval recommendation	Although the risk levels remain high, the range of interventions identified generally have a medium to low risk of delivery in 2019/20 therefore it is recommended that the risks be accepted. Risks around the Prescribing budget will be continually monitored and reported to the IJB throughout the year.

7.0 CONSULTATIONS

7.1 The Chief Officer and the Clerk were consulted in the preparation of this report.

8.0 DIRECTIONS

8.1 The Integration Joint Board requires a mechanism to action its strategic commissioning plans and this is provided for in sections 26 to 28 of the Public Bodies (Joint Working) (Scotland) Act 2014. This mechanism takes the form of binding directions from the Integration Joint Board to one or both of Dundee City Council and NHS Tayside.

Direction Required to Dundee City Council, NHS Tayside or Both	Direction to:	
	1. No Direction Required	✓
	2. Dundee City Council	
	3. NHS Tayside	
	4. Dundee City Council and NHS Tayside	

9.0 BACKGROUND PAPERS

9.1 None.

Dave Berry
Chief Finance Officer

DATE: 29 May 2023

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5 Year Financial Outlook 2023/24 – 2027/28

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Estimated Baseline Budget	278,575	284,184	290,939	295,129	299,430
Estimated additional Cost Pressures	10,746	15,610	10,793	11,683	12,223
Estimated Funding Required	289,321	299,793	301,731	306,182	311,654
Estimated Funding Provided	284,184	290,939	295,129	299,430	303,846
Estimated Funding Gap	5,137	8,855	6,602	7,382	7,807
Total Funding Gap Over 5 Years					35,783

Note: Assumes all staff costs uplifts for NHS services will continue to be funded by the Scottish Government

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